

APPROPRIATE
CO-OPERATIVE DEVELOPMENT

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1. INTRODUCTION

This paper proposes an appropriate basis for the development of co-operatives in Victoria. The essence of co-operative philosophy is democracy, mutuality and autonomy and, therefore, co-operative development must reflect and reinforce these values. Diversity characterises the co-operative sectors within the co-operative movement. The sectors diverge markedly in their interpretation and application of co-operative philosophy and principles. Their objectives, structures and practices are significantly and substantially different enough to justify co-operative development being based on these differences.

The organisational basis for realising this co-operative development would be the establishment of co-operative associations within co-operative sectors, e.g. food, housing, worker, sustainable community and credit co-operative sectors. These co-operative sector associations would meet the basic resourcing needs of the co-operatives in their sector. Models for this kind of co-operative development already exists with the Victorian Credit Co-operatives Association, the Common Ownership Development Agency in New South Wales and C.H.A.S. in Victoria. Given this development model it would be inappropriate to establish a centralised agency to meet the resourcing requirements of all co-operative sectors. Certain specific services could be provided on a centralised basis, such as a co-operative education clearing house and a co-operative movement newsletter.

2. THE PHILOSOPHY AND PRINCIPLES OF CO-OPERATION

Co-operative philosophy emphasises democracy, mutual aid and autonomy. Co-operative democracy is based on one vote per member irrespective of individual shareholding. Co-operatives, therefore, are structured as democratic organisations. They are fundamentally different from bureaucratic public service and plutocratic private enterprises. Co-operative mutual aid is based on individuals (co-operators) and co-operatives working together to define and meet their mutual interests. This mutuality is reinforced by the democratic structure of co-operatives which provides for equal exchange between members. There is no mutuality in public and private sector organisations. Both respond to economic and personal profitability imperatives. Co-operative autonomy is based on self-determination by co-operatives - the right of co-operatives to determine their own objectives, structures and procedures consistent with co-operative philosophy and principles. Co-operative autonomy and mutuality should not, however, be confused with self-help.

Self-help philosophy is that co-operatives should not request or accept any form of Government assistance. The public and private sectors are inter-dependent and it is not possible, therefore, for co-operatives to avoid the impact of the State.

There are six fundamental principles of co-operation:

(i) OPEN AND VOLUNTARY MEMBERSHIP

Membership of a co-operative should be voluntary and available without artificial restriction or any social, political or religious discrimination, to all persons who can make use of its services and are willing to accept the responsibilities.

(ii) DEMOCRATIC CONTROL

Co-operatives are democratic organisations. Their affairs should be administered by persons elected or appointed in a manner agreed by the members and accountable to them. Members of primary co-operatives should enjoy rights of voting (one member, one vote) and participation in decisions affecting their co-operatives. In other than primary co-operatives the administration should be conducted on a democratic basis in a suitable form.

(iii) LIMITED INTEREST ON SHARES

Share capital being service capital should only receive a strictly limited rate of interest, if any.

(iv) RETURN OF SURPLUS TO MEMBERS

Surplus or savings, if any, arising out of the operations of a co-operative belong to the members of that co-operative and should be distributed in such manner as would avoid one member gaining at the expense of others.

This may be done by decision of the members as follows:

- (a) by provision for development of the business of the co-operative;
- (b) by provision of common services; or
- (c) by distribution among the members in proportion to transactions with the co-operative.

(v) CO-OPERATIVE EDUCATION

All co-operatives should make provision for the education of their members, officers and employees and of the general public in the principles and techniques of co-operation, both economic and democratic.

(vi) CO-OPERATION AMONG CO-OPERATIVES

All co-operative organisations, in order to best serve the interest of their communities, should actively co-operate in every practical way with other co-operatives at local, national and international levels.

Consistent with these principles, co-operatives have the following distinguishing characteristics - constant value and one class of shares, a 20% limit or less on the number of shares held by any one shareholder, one vote per member irrespective of the number of shares held, individual membership and shares cannot be publicly traded. The structure of a co-operative makes it a democratic form of business enterprise. Within a common philosophy and principles, however, there are significant differences in objectives, structures, interpretation and practice between different types of co-operatives.

4. The differences in interpretation and practice between the co-operative sectors could be summarised as follows:

CO-OPERATIVE SECTOR

Co-operative Principles	Worker	Consumer	Producer
Open and voluntary membership	Workers Restricted to number of workers. Ethnic/political/sexual common bond.	Users Unlikely to restrict membership number. User-based common bond.	Users Unlikely to restrict membership number. Production-based common bond.
Democratic control.	Industrial democracy. Participation and representative.	Membership Worker participation various representative.	Membership Representative

Co-operative Principles	Worker	Consumer	Producer
Limited interest on shares.	Yes	Yes	Yes
Return of surplus to members	Probable prohibition on surplus distribution.	Surplus distribution	Surplus distribution
Co-operatives education	Worker-based.	Directors and member-based.	Member-based.

5. In discussing co-operative philosophy and principles it is critical to distinguish between co-operatives and other forms of business enterprise. Co-operatives and other forms of business enterprise sometimes share a commitment to the operations of a free market without unnecessary interference from the State. In adhering to the free market, however, these co-operatives also tend to assume a normal and economic superiority over private enterprise. The superiority is based on the claimed and assumed superiority of co-operative philosophy, principles and practices. Not all co-operatives, however, adhere to the values of the free market but rather seek to challenge the basis of the free market.
6. The essential difference between a co-operative enterprise and a private enterprise is the democratic structure of co-operative enterprises and the plutocratic structure of private enterprises. Co-operatives are equally owned and controlled by their individual members and individual wealth and shareholding does not affect this ownership and control. There is one vote per member irrespective of individual shareholding. Private enterprises, however, are plutocratically owned and controlled in that individual wealth and shareholding determines ownership and control. Ownership and control is exercised by a majority of shares rather than a majority of shareholders.
7. While all co-operatives are democratic compared with private enterprises, the extent and nature of this democracy varies. There are differences in both democratic constituency and mode of democracy. Co-operatives are member - based organisations and as the membership of most co-operatives comprises the users of its products and services it is these users who own and control the co-operatives. Worker co-operatives differ markedly, however, in their ownership and control.

With worker co-operatives it is the producers of goods and providers of services who own and control the co-operatives. The users of the goods and services of the co-operatives are not members. While membership control characterises all co-operatives the exercise of this control is different and varies between representative, participatory and a representative - participatory mix depending on the developmental stages, the preferences of the membership, the economic size, the membership level and the complexity of the co-operative's operations. Democracy in worker co-operatives tends to be more complicated because the clear distinction between membership and workforce does not exist and, instead, there are role ambiguities.

8. The relationship between the co-operative movement and government is determined by the attitudes and policies of each. But, then, those attitudes and policies vary significantly. There are historically four different relationships:

- Indifference and/or hostility
- Government and co-operative partnership
- Government sponsored co-operatives
- Government controlled co-operatives

The Ministerial Advisory Committee on Co-operation has argued, there is an ambivalent relationship between Government and the co-operative sector and this ambivalence reflects ideological differences, role complexities and ambiguities and the development of the modern State. The co-operative movement is divided on what constitutes an appropriate relationship with Government. While the majority view is that Government can assist rather than direct the co-operative movement, there are differences in interpretation.

9. Indifference and/or hostility
Neither the Government nor the co-operative movement take an interest in each other. There may be specific co-operative legislation. Otherwise, the relationship is characterised by independence. The co-operatives see themselves as just another, albeit superior and more desirable, form of economic organisation and should be allowed to manage their own enterprises. The argument for no Government interference, then, is the classic laissez-faire arguments for the free operations of the market and the virtues of privatisation. In espousing its independence the co-operative movement assumes that its inherent superiority over private enterprise will inevitably and invariably assert itself.
10. Government and co-operative partnership.
The government and co-operative movement accept the need for government assistance on a short and/or long - term basis.

This assistance could include fiscal, economic and co-operative development policies and programs. This assistance could include the provision of training facilities, co-operative research and the establishment of co-operative development agencies. The government encourages rather than controls co-operative development. The partnership approach, however, does produce its own ambiguities. The cost of active Government support is accountability to Government - an accountability to which co-operatives are sometimes reluctant to comply and necessarily involves government de facto control through accountability.

11. Government sponsored co-operatives. The Government plays an active role in organising, controlling and developing co-operatives. The Victorian Government has played an active role in the development of worker, housing and food co-operatives. The N.S.W. Government has played an active role in the development of worker co-operatives. the non-assisted co-operative movement is usually critical of the active role of the Government and criticises such co-operative development as state - inspired and as becoming dependent on government because the government is sponsoring the development of these co-operatives. The criticisms taken to their logical conclusion assume that co-operative development should be based on self-help and if individuals and groups do not have the resources to develop their own co-operatives, then, the Government should not intervene because the costs of such intervention outweigh the benefits.
12. Government controlled co-operatives. In this situation the Government directly participates in the formation and operation of co-operatives. The difference between Government sponsored and controlled co-operatives is a matter of some controversy. In Victoria perhaps the most prominent examples of Government controlled co-operatives are the cost-rent housing co-operatives.
13. The first two approaches are common in free market economics where co-operatives have reached a relatively sophisticated level of development. In Western capitalist economics this particularly applies to agricultural co-operatives. The last two approaches are common to centrally planned economics. The developmental stage of the co-operative sector, however, is also relevant.
14. Historically the co-operative movement has been independent of Government and the origin of this independence was State hostility to the development of working class based co-operative and trade union movements.

When the co-operative movement was developing in the 19th Century the market economy dominated and the State only marginally intervened in its operations to assist capital. It was inconceivable that the State would assist the working class to develop their own economic institutions. In reaction to these historical circumstances, the developing co-operative movement (consumer and producer co-operatives) emphasised self-help and independence from Government and member equity.

15. Today the established co-operative movement adopts an official position of political independence from and neutrality towards Governments and political parties. They tend to see overt political relationships as compromising and as jeopardising their integrity as co-operatives. The VCCA, for instance, has stressed the apolitical nature of co-operatives and the importance of not becoming aligned with partisan political interests. The Report of the International Co-operative Alliance Commission on Co-operative Principles has stressed the importance of political neutrality: "No one should be obliged to subscribe to any doctrinal declaration. This leaves the member to join any religion or political organisation which attracts his sympathy and loyalty."
16. Self-help, independence from Government and member/worker equity need to be situated within their historically determined context and they need to be re-examined and redefined in the context of current and likely future circumstances. It is not possible for co-operatives to operate independently of the State. The viability and profitability of other forms of business depends on Government assistance through taxation benefits, investment allowances, access to finance, research and development grants and employment subsidies. It is unrealistic to expect co-operatives to be denied similar assistance and remain competitive. Government assistance does not necessarily reduce co-operative autonomy and democracy. The perfect laissez-faire economy does not exist and the State is responsible for management of the economy and ensuring a legislative framework that permits co-operatives to be organised and operated consistent with co-operative philosophy and principles.
17. It is inappropriate to argue the virtue of co-operative independence and yet be unable and/or unwilling to contribute towards the further development of co-operation. Without the definite policy and resource commitment of the State, there would be no development of worker, housing, sustainable community and food co-operatives in Victoria. Worker co-operatives in particular and low income group co-operatives in general cannot afford to develop an integrity of independence when the cost of this independence is their failure. The survival and development of these co-operatives depends on the State.
18. The critical dilemma for the co-operative movement is the reality that without government assistance many of the co-operative sectors will not be able to exercise a larger influence on the economy. The issue, then, is for the government to provide assistance which is consistent with co-operative democracy, mutuality and autonomy.

19. The dilemma of government involvement is compounded by the different developmental stages of the various co-operative sectors requiring, therefore, differing levels and extent of government assistance. It is inevitable that these differing stages of development generate different responses to the government from the sectors.
20. Worker, housing, food and sustainable community co-operatives are dependent on extensive government assistance whereas the established credit and trading co-operatives are considerably self-reliant.
21. The co-operative movement has to accept that seeking and expecting more government assistance is necessarily accompanied by increased accountability to government and that the co-operative sectors view the role of Government differently.
22. AN APPROPRIATE BASIS FOR THE DEVELOPMENT OF CO-OPERATIVES.

There are three critical factors in determining an appropriate basis for the development of co-operatives:

Government policy for the development of the co-operative sectors.

The distinctive nature of co-operative philosophy and principles.

The critical fundamental difference between the different co-operative sectors.

23. In Western capitalist economies the countries with the most developed co-operative sectors and movement have established specific co-operative support mechanisms, e.g. Denmark, France, Italy and Spain. In countries where the co-operative sectors and movement are relatively under-developed, however, there are limited support agencies e.g. Australia, New Zealand, the U.K. and U.S.A.
24. In Italy, Spain and France, strong central co-operative organisations provide technical assistance to their member co-operatives. The co-operatives, however, had to become sufficiently numerous and viable before the co-operative organisations could be developed sufficiently to provide technical assistance. These co-operative organisations have succeeded in establishing new starts and conversion co-operatives. In Italy, 60% of new co-operatives are promoted by the Co-operative Federations. The equivalent of associations of co-operatives have joined together to establish management skill pools. Each region of Italy has a Regional Planning Centre with a staff of between 11 and 35 who service the region's building and construction co-operatives.

25. In the U.K. co-operative development work is carried out primarily on a local basis "where the distance between development worker and co-operative allows regular contact". There are approximately 80 local co-operative development agencies. Worker co-operative development is largely attributable to the Industrial Common Ownership Movement which is dedicated to the development of worker co-operatives. The Greater London Council is aiding the development of a decentralized London-wide infrastructure of co-operative development and advisory services. A revenue grant of up to £20,000 per annum is available for each of these services. A capital grant of up to £10,000 over any two year period is also available. The availability of financial assistance, however, depends on initiatives coming from the co-operative movement itself and from the localities. Funding has also been provided to London Industrial Common Ownership Movement to provide a central service for advice, representation and training for potential co-operators.
26. There is also a centralised Government-funded Co-operative Development agency which has been criticised for its centralist tendencies and its inability to operate at the grassroots. The CDA is responsible primarily for promotion and rationalisation of the co-operative movement. The board of the CDA comprises the head of a major co-operative society, the chief executive of the Co-operative Bank, the head of a major consumer co-operative association, a trade union representative, the managing director of a private sector company (Kalamazoo) and a civil servant.
27. During 1983 three proposals for the establishment of a Co-operative Development Agency in Victoria were made to the Ministry of Employment and Training in response to the Co-operative Development Program by Brian Greer (1983), Paul Martin and David Whitchurch. The critical questions addressed by the three authors concerned the structure, objectives and resources of a CDA.
28. Whitchurch has argued that the CDA would liaise with consultants, assist in the preparation of feasibility studies and business plans, promote co-operatives and co-operative ideals and provide research, legal, accounting and marketing skills. Greer has argued that CDA would provide business and legal advice, counselling and training and would provide co-operative forums. Additional objectives could include research and development. Martin has argued that the CDA would provide information, business and legal advice, assist in developing business plans, and develop education and training services.

29. Whitchurch has argued that the CDA would help the range of co-operatives but anticipates that housing and worker co-operatives would be the prime beneficiaries. Greer raised the question of whether the CDA should restrict itself to worker co-operatives and declined to answer. Martin has argued that the CDA should focus specifically on worker co-operatives.
30. Whitchurch argues that the CDA's management committee would include members of co-operatives, Government (non-voting), employer, trade union and housing representatives. Greer proposed that for this CDA there are a number of groups that could be considered as part of the management structure - CDA workers, worker co-operatives, other types of co-operatives, trade unions and small business interest. Martin argues that the CDA Board would have CDA workers, worker co-operative, THC (Victoria) A.L.P. (Victorian Branch) and financing agency representatives.
31. Whitchurch's CDA would have four full-time staff with funding and project development, resource and business, finance and systems and legal skills. Greer argues for five staff with management accountancy, marketing, information and publicity, co-operative management and administrative skills. Martin argues for staff with business advice, skill transfer, education and training, promotion and lobbying, information, accountancy, legal and office skills.
32. There are, then similarities in the proposed staffing and functions of the different CDA's. The differences lie in the envisaged target groups and management structure. Whitchurch assumes the possibility of a CDA serving all co-operatives. Martin is focussing exclusively on worker co-operatives. Greer (1983) leans towards worker co-operatives but is ambivalent. Greer (1984) however, recommended the establishment of worker co-operative development agencies in each State. While all proposals assume co-operative participation in the management of a CDA, Martin argues for a significant dominant labor movement role whereas both Whitchurch and Greer tend to argue for a diverse representation. All the proposals seem to assume the establishment of a single CDA and, therefore, the need to determine the scope and priorities for the CDA. This assumption is not, however, necessarily correct and the development of sector associations would obviate the need to make choices and establish priorities.
33. Economic problems and high continuing levels of unemployment have in recent years encouraged State Governments to support the development of co-operatives. Three State Governments have established co-operative assistance programs - N.S.W., Victoria and Western Australia.

These programs have developed with the vary acquiescence of the established co-operative movement - concerned that Government - depending could be generated but also unable and unwilling to provide significant resources for the development of co-operatives.

34. In N.S.W. a co-operative development program was established in 1979 with the objective of developing co-operatives for unemployment youth. The program is administered by the Department of Youth and Community Services. Subsequently, a Worker Co-operative Development Agency was established with co-operatives still directly funded by Government. In recent years the program's emphasis has shifted to worker conversion co-operatives and the establishment of a Common Ownership Finance Company as a subsidiary of the Co-operative Federation of N.S.W. and an independent Common Ownership Development Agency. It is now being proposed that a Worker Co-operative Development Board be established as a statutory authority which would "be responsible for overall programme co-ordination and would directly administer a Worker Co-operative Development Fund for the provision of financial assistance, and a Planning, Research and Advisory Unit for the provision of developmental support at both central and local levels".
35. In Victoria there is a mix of direct and indirect Government involvement with education and consultancy services being provided by the Collingwood-Richmond-Fitzroy Credit Co-operative, the Small Business Centre of Preston TAFE and the School of Business at Ballarat CAE whereas program development and grant/loan funding remains with the Ministry of Employment and Training. The Ministry is currently working with the Victorian Credit Co-operative Association to establish a co-operative based financial assistance system for worker co-operatives. The Ministry has also funded a study on the developmental needs of food co-operatives. Victoria's Ministerial Advisory Committee on Co-operation is considering the options for developing co-operatives.
36. In W.A. a Community Enterprise Development Agency was established in 1983. The Agency is a resource centre and business advisory service for co-operative, community business and self-employment ventures. The Agency does not receive Government funds. The Agency's work is complemented by a Community Employment Initiatives Unit within the State Department of Employment and Training. The Unit administers four specific programs:
 - Co-Action which funds projects undertaken on a voluntary basis by the unemployed. Funding is available for equipment, non-wage operating costs, transport and publicity.

- The Community Initiatives Scheme which provided funds to assist local communities to become involved in unemployment through employment task forces, enterprise agencies and community business enterprises.
- A self-employment scheme which provides establishment capital and business advice for unemployed individuals and groups to establish commercial enterprises.
- A Co-operative Advisory Service which assist the establishment and development of viable co-operatives and community business ventures through promotional/informational activities, technical/business advice and training programmes.

The Co-operative Advisory Service, therefore, does not restrict itself to co-operatives but also includes community business ventures which "operate in accordance with recognised co-operative principles".

37. A S.A. Co-operatives Working Party has recommended (1984) that the Government initiate a detailed investigation of the feasibility of establishing a Common Ownership Development Agency. It has prepared that the Agency should be constituted as a statutory authority and be governed by a Board including representatives of trade unions and employer organisations. The role of the Agency would be to:
 - (a) make available Technical assistance for and to encourage the establishment of worker co-operatives, particularly in areas of high unemployment and in specific situations where existing employment is or may be at risk.
 - (b) promote employment generation and maintenance through worker co-operatives.
 - (c) promote the potential of work and enterprise structures based on worker co-operative principles, in regard both to employment and to the practice of industrial democracy.
38. Co-operative development needs to be focussed and tailored on the specific development needs of individual co-operatives and their sectors. Co-operative development must reflect and reinforce both common co-operative philosophy and principles and the difference in interpretation and practice between co-operatives. Structures and mechanisms for developing co-operatives, therefore, must embody democracy, mutuality and autonomy.

There are diseconomies in aggregating different types of co-operatives into common resource provision when they have disparate structures, objectives and functions. Conversely, there are economies in disaggregating resource provision for specific types of co-operatives. To the extent that resource provision has to universally address a complex and contradictory co-operative sector and movement, then, increasingly there will be an unfavourable environment which makes effective resourcing less likely.

39. The importance of understanding and accepting the values of co-operation and differences between types of co-operatives should not be under-estimated.
40. Numerous studies have shown that policies, programs and campaigns can fail because the value issues involved have not been clearly identified, defined, accepted and applied. If the values and differences are deliberately or unintentionally ignored in developing co-operatives, then, this would jeopardise the development of co-operatives. Channelling assistance for co-operatives through job creation and traditional small business enterprise programs would, for instance, invariably undermine the value of co-operative development. How enterprises are structured is critical to the structure of assistance for enterprises. there are significant quantitative and qualitative differences between community, public, private and co-operative enterprises and, therefore, the need for quantitative and qualitative differences in enterprise development policies and programs.
41. Given the nature of co-operative philosophy, principles and practices, therefore, assistance for co-operatives should be specialised, discrete and functionally and geographically decentralized. This would be consistent with the developmental needs of different co-operative sectors and co-operative philosophy of democracy, mutuality and autonomy.
42. The Financial Institutions Review has recommended that there is a need to review existing advisory and consultative mechanisms. It has recommended that the Co-operative Societies Advisory Council, the Co-operative Housing Advisory Committee and the Credit Societies Guarantee Fund Advisory Committee should be replaced by a Victorian Co-operatives Council "which would advise the Minister on all matters relating to the co-operative movement". This Council "should be appointed by the Minister and have a broad representation of government industries, and the community". The exact nature of the proposed broadened membership has not been specified by the Financial Institutions Review.

The proposal should be seen as a critical ingredient of rather than the basis for co-operative development. The isolated establishment of a centralized Victorian Co-operatives Council would be an inappropriate basis for the development of co-operatives. It would tend to develop top-down decision-making, minimise and reduce decision-making within the co-operative sectors and movement and encourage an emphasis on lowest common denominator commonalities. There is a need, therefore, for co-operative development to be voluntary, bottom-up, maximising decision-making within the co-operative sectors and basing this development on the substantive differences as well as commonalities.

43. It is unwise to expect too much of a Victorian Co-operation Council and assume that its creation would prevent fragmentation of the co-operative movement. While co-ordination is necessary and desirable this is not necessarily an argument for centralization if the cost of centralization is reduced co-operative sector autonomy and democracy.
44. An appropriate model for co-operative development would involve an integrative system of decision-making at a national, state and sector level. At the national level there would be an Australian Co-operation Council. At the State level there would be State Co-operation Councils with representatives of co-operative associations. At the sector level there would be co-operative associations for particular co-operative sectors, e.g. worker, food, credit and housing co-operatives. This decentralized system of co-operative development recognises that there are different interests, that these differences are desirable and inevitable, that appropriate machinery would protect the autonomy of co-operative sectors, that it is critical for the different sectors to be committed to co-ordination and autonomous decision-making and that this commitment depends on autonomy, mutuality and democracy.
45. The proposal has the following advantages:

Economy

In the long term it is cheaper to provide appropriate decentralized resources rather than inappropriate centralized resources.

Harmony

Unnecessary centralization provokes unnecessary conflicts and, therefore, inefficiencies. There are significant structural and functional differences between different co-operative sectors.

Specialisation

The differences between different co-operative sectors mean that there is a need for specialist staff with specialist knowledge and skills appropriate to the different types of co-operatives.

Clarity

The emphasis on specialisation promotes clarity and avoids the inherent ambiguity that would be provoked by resourcing different co-operative sectors simultaneously.

46. A Victorian Co-operation Council would:

- (a) Advise the Government on the development of co-operatives in Victoria.
- (b) Assess the progress of the co-operative sector and movement in Victoria.
- (c) Formulate plans and strategies for the long-term development of co-operatives.
- (d) Co-ordinate the activities of various Government Departments impacting on co-operative development.
- (e) Assist the co-operative associations in resourcing the co-operative sectors.

47. The membership of the Victorian Co-operation Council could comprise:

Government nominees	5
T.H.C.	3
Co-operative Federation of Victoria	3
Co-operative Associations	10

Union representation would perhaps be the most contentious for a consumer and producer co-operative movement that has not accepted the common origins and objectives of the labor and co-operative movements.

48. The basis for the composition of the Council would be as follows:

Majority co-operative movement representation (13 of 21)

Dominant Co-operative Association representation (10 of 13) in recognition of the need for direct sector representation.

Significant but not majority Government representation (5 of 21) because of the interdependent relationship between the State and co-operatives.

Trades Hall Council representatives (3 of 21) because of the recognised similarity in objectives between the co-operative and labor movements.

49. The individual co-operative sector associations would:

- (a) Advise the Victorian Co-operation Council on their co-operative sector.
- (b) Represent their co-operative sectors on the Victorian Co-operation Council.
- (c) Co-ordinate education and training provision for their co-operative sectors.
- (d) Co-ordinate business consulting services for their co-operative sectors.
- (e) Promote the development of their co-operative sectors.

The staff of the co-operative sector associations would have:

- . Skills appropriate to the operation of co-operative business enterprises.
- . The ability to transfer these skills as and when appropriate.
- . The ability to intervene appropriately and quickly.

50. The role of the Co-operative Federation of Victoria should also be supported by appropriate resourcing. The Federation has suggested that co-operative development should be the responsibility of the Federation itself and the research and development services of the Registry of Co-operatives and has argued that "the existing Federation should be the vehicle through which Government funds for true Co-operative development are channelled as the accountability required of such a service would ensure economic and viable use of public monies." The argument has been, however, that co-operative associations rather than the Federation are more appropriate vehicles for co-operative development.

At present the Federation has individual and association membership. It may be more appropriate for the Federation to develop association rather than individual membership.

51. This model of appropriate co-operative development would, therefore, be based upon:
- (a) Respecting the autonomy of individual co-operative sector associations and a federation of these co-operative sectors.
 - (b) Recognising the philosophical, principle and practice differences between the co-operative sectors.
 - (c) Accepting that the different co-operative sectors would be responsible for determining and meeting their own developmental needs.
 - (d) Specialization of assistance according to co-operative sector.
 - (e) Comprehensiveness in accommodating the needs of co-operatives.
 - (f) Qualified and experienced co-operative personnel.
 - (g) Small and flexible functional co-operative sector operations.

52. THE DEVELOPMENTAL STAGE OF CO-OPERATIVES

The developmental stage of the co-operative sectors in Victoria differs. It is desirable, therefore, to briefly consider these developmental stages and the resulting implications for the involvement of the Government in the development of co-operatives.

53. PRODUCER AND TRADING CO-OPERATIVES

At the 30 June 1982 there were 175 producer and trading co-operatives in Victoria with a total membership of 110,000 and combined assets of \$40 million. Most of these co-operatives operate in primary production and processing. Some of them are very large and trade on a national and international basis. These co-operatives already have the capacity to resource their own co-operative developmental needs but there is an unwillingness to commit resources.

54. CREDIT SOCIETIES

At the 30th June 1982 there were 207 credit societies in Victoria with a total membership of 389,000 and combined assets of \$824 million. Credit societies in Victoria have established their own association - the Victorian Credit Co-operative Association (V.C.C.A.) The V.C.C.A. is already effectively resourcing the developmental needs of credit societies.

55. HOUSING CO-OPERATIVES

There are two types of housing co-operatives - the 1930 co-operative housing societies which provide mortgage finance for their members and eight rental housing co-operatives funded by the Ministry of Housing. The majority of the housing co-operatives are terminating societies. The rental housing co-operatives are supported, however, by the Co-operative Housing Advisory Service (C.H.A.S.) which was established as a servicing co-operative. C.H.A.S. is registered as a community advancement society under the Co-operation Act.

56. COMMUNITY ADVANCEMENT CO-OPERATIVES

At the 30th June 1982 there were 1,027 community advancement co-operatives with a total membership of 97,000 members and combined assets of \$32 million. Many of these societies co-operate to construct buildings and the basis for co-operation no longer exists when the building is constructed.

57. FOOD CO-OPERATIVES

While there are some large food co-operatives incorporated as trading co-operatives, there has been a resurgence of interest in developing food co-operatives. A 1984 study has identified 44 food co-operatives in Victoria with only a minority formally incorporated as co-operatives. An informal unincorporated Victorian Food Co-operative support group exists. The group is proposing the establishment of an association of food co-operatives. The establishment of the resource centre, however, is dependent on a commitment of Government funds.

58. WORKER CO-OPERATIVES

Government Co-operative Development programs in N.S.W. and Victoria are focussing on the provision of technical and financial assistance for worker co-operatives. A S.A. Government working party has recommended that assistance should be provided for the development of worker co-operatives. Between N.S.W. and Victoria there are approximately 23 supported worker co-operatives - two thirds of these in N.S.W. The development of worker co-operatives is critically dependent on the provision of technical and financial resources by the Government.

59. It can be seen, therefore, that the developmental stage of co-operatives is indeed different and it is not surprising, therefore, that there are different expectations for and demands on the Government. Trading, credit and community advancement societies are developed and self-reliant. Worker, food, sustainable community and housing co-operatives are under-developed, however, and dependent on Government assistance for their further development.

60. THE OPTIONS FOR GOVERNMENT INVOLVEMENT

There are two broad areas concerning the role of Government in co-operative development:

1. The legislative framework for and regulation of co-operative societies.
 2. Specific policies and programs for co-operative development.
61. It is assumed that there is a need for specific co-operative legislation and regulations and this assumption is based on the acceptance that there are critical philosophical and organisational differences between co-operative and other forms of organisation.
62. Government has a responsibility to ensure that legislation and regulations for co-operatives recognise the essential nature of co-operative philosophy and principles. The Government also has the responsibility of protecting the interests of the public and members of co-operatives by ensuring the stability of societies, monitoring co-operatives to prevent fraud and mismanagement and ensuring the effective usage of any Government funds. In protecting the interests of the public and members, however, the Government must act consistently with co-operative philosophy and principles.
63. When the operations of a co-operative are significantly subsidised by Government, there should be significant regulation until such time as these co-operatives become financially independent. Cruickshank Management Resources Pty Ltd has stressed the need to avoid co-operative "dependency creation". The Cruickshank argument is that "finance and advice provided with minimum intervention" is consistent with conventional business and market - place theory. It is assumed, therefore, that "intervention" creates "dependency". Intervention does create a dependency problem but, then, it is equally critical to determine and separate the possibilities of short and/or long term dependency, what type of intervention occurs and the different consequences of different types of intervention.

64. The Co-operation Act 1981 is not consistent with co-operative philosophy and principles. The basic failing of the Act is to adequately reflect and reinforce co-operative philosophy and principles - democracy, mutuality and autonomy. It is essential that a revised and rewritten Co-operation Act include a definition of co-operation and incorporate a statement of co-operative principles. It is essential that the Act provide a more diverse and flexible approach to democratic co-operative practice. It is not appropriate that co-operatives with a very small membership are required to establish a Board of Directors. While the membership will have to accept "directorial" responsibilities, this is not necessarily achieved through a Board of Directors. The limitation of seven Directors is arbitrary when it may be desirable to have a higher number of directors depending on the needs of the Board and co-operative preference. The Act should provide for a real division of powers between Directors and meetings of members subject to the rules of the society and not simply assert the supremacy of the Board of Directors between Annual General Meetings. There also needs to be provision for the election of more than one worker to the Board of a co-operative as determined by the rules of the co-operative. This is essential for worker co-operatives but also important for other co-operatives interested in worker representation. The Act also needs to recognise that co-operatives may wish to extend and develop co-operative philosophy by introducing various forms of industrial democracy. New model rules need to be introduced for worker co-operatives. Model rules need to be based on the needs of different co-operative sectors and the desire for flexibility in co-operative practice between and within the sectors. The established model rules for producer, community advancement and trading societies are no longer appropriate.
65. Specific Government policies and programs for co-operative development are more problematic because they raise problems and choices as to what kind of co-operative development is supported and on what basis.

Assistance for co-operatives must be seen in the context of the Victorian Government's industry and regional policies and the developmental stage of co-operatives. The broad role of the Government's Industry Policy is to assist in the achievement of the Government's economic objectives of maximising employment opportunities and improving living standards for all through influencing the pattern and performance of industry. The objective of the regional industry policy is to contribute to improving the economic performance of regions within the State. This is to be achieved by assisting developing industries which build on the regional economic bases of the State and by contributing to the alleviation of problems arising from

the concentration of slow growing or declining industries in certain regions. Consistent with its industry and regional policies the Government is developing a business information, advice and investment assistance program.

66. While co-operatives should be eligible for assistance under existing Government programs, it has already been argued that specific developmental assistance should be provided for co-operatives.
67. Co-operatives should, therefore, be eligible for the same assistance available to other forms of business enterprise. But, there is a point at which this assistance becomes inappropriate. While there are existing agencies for the support of small business enterprises, there are quantitative and qualitative problems with those agencies which render them inaccessible to and inappropriate for co-operatives.
68. The appropriateness of the Small Business Development Corporation depends on the fit between conventional business enterprises and co-operatives and the compatibility and/or incompatibility of co-operatives competing with conventional business enterprises for the resources and priorities of the Corporation. A Small Business Development Corporation could not be expected to promote co-operatives as a preferred organisational form to that of conventional business enterprises. would generate tension and conflict within the Corporation.
69. Promoting co-operative access to traditional financial institutions is difficult to justify given the reluctance of these financial institutions to provide loans to small business and co-operative enterprises. This reluctance is not surprising given the desire of financial institutions to maximise return on their investments, their reluctance to invest in new firms without a business record and the democratic nature of co-operatives which reduces the ability of financial institutions to predict and control co-operatives. Conventional financial institutions are likely to require that the conditions of receiving financial assistance are the adoption by co-operatives of conventional business principles and practices such as a higher member equity stake, director guarantees and decreased democracy.
70. The nature of Government involvement in developing co-operatives is critically dependent on the development stage of co-operatives. It has been argued that co-operative sector associations should be developed as a basis for co-operative development. The fundamental premise of the Government's involvement should be to facilitate co-operative self-development.

The established co-operative sector, dominated by agricultural co-operatives, has not actively facilitated and has deferred to the Government responsibility for fostering the growth of the emerging worker, housing and food co-operatives. There is, then, a historical and organisational basis for arguing that the prime responsibility for the development for these emerging co-operatives should remain with government in the short-term until the different co-operative sectors are able to meet their own support requirements.

71. This short-term role should reduce in the long-term. Achieving this reduction is critically dependent on a developmental approach which provides for a dependency-reducing role as and when appropriate. Critical to this ability of the Government to reduce its role is the establishment of independent co-operative sectors that are able to economically and politically survive. Unfortunately, within and between co-operative sectors there are differing views on the role of Government - irrespective of the extent and nature of required Government assistance.
72. In developing specific assistance for co-operatives there are three options for Government involvement:
 1. Direct involvement in the provision and co-ordination of assistance for all and/or specified co-operatives.
 2. Indirect involvement in the provision and co-ordination of assistance by locating support in outside auspices accountable to Government.
 3. A mixture of direct (1) and indirect (2) involvement.
73. In the short term the Government should fund co-operative associations in co-operative sectors when this is compatible with the requirements of these sectors and the development of co-operatives in these sectors is compatible with Government policies and priorities. There are three co-operative sectors where co-operative associations should be established - the worker, housing and food co-operative sectors. A credit society co-operative association already exists. The failure of the producer co-operatives to establish an association reflects unwillingness rather than inability and there is no clear basis, therefore, for the Government to fund a producer co-operative association.
74. Funds should also be made available to establish a co-operative education clearing house which would resource the co-operative education needs of the co-operative associations.

Further funds should also be made available for the further development of co-operative education courses at TAFE Colleges based on the developmental work of Preston TAFE.

75. The following conclusions are possible:

- (a) Victoria does not have a history of co-operative development comparable to France, Italy and Spain.
- (b) The established co-operative movement in Australia is not capable of independently providing the support necessary to develop new co-operative sectors.
- (c) Co-operatives are a unique form of organisation - qualitatively different from other forms of organisation.
- (d) The different co-operative sectors are different - these differences are as important as the similarities.
- (e) Financial and technical assistance for co-operatives must reflect and reinforce the uniqueness of the co-operative form of organisation and differentiate between the co-operative sectors.
- (f) Co-operative development critically depends on singleness of purpose in pursuing program objectives and in the provision of co-operative-based financial and technical resources.
- (g) Co-operative development should be programmatically separated from other programs. Technical and financial assistance for co-operatives should be separated from job creation and enterprise programs such as municipal enterprises, community business ventures and traditional small business.
- (h) Resource support for co-operatives should be co-operatively structured, based and controlled. Co-operatives should be encouraged to generate their own resource organisations. This should be based, therefore, on the establishment and development of specific co-operative associations established and developed by specific types of co-operatives. While appropriate centralization and specialisation of resources will be necessary, equity requires that financial and technical resources are decentralized.

- (i) Government funding should be available for the initial establishment and development costs of these associations until such time as the different co-operative sectors can support their own associations.
- (j) The establishment of associations, however, does not preclude the further development of co-operative consultancy services, i.e. initially at Preston TAFE and Ballarat CAE. Co-operative development should, therefore, maximise the consultancy and educational potential of the geographically decentralised education system. Such services, however, would have to exhibit an appropriate understanding of co-operative development requirements.

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